

DORSEY, KING, GRAY, NORMENT & HOPGOOD
ATTORNEYS-AT-LAW

318 SECOND STREET
HENDERSON, KENTUCKY 42420

JOHN DORSEY (1920-1986)
FRANK N. KING, JR.
STEPHEN D. GRAY
WILLIAM B. NORMENT, JR.
J. CHRISTOPHER HOPGOOD
S. MADISON GRAY

TELEPHONE
(270) 826-3965
TELEFAX
(270) 826-6672
www.dkgnlaw.com

March 27, 2008

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MAR 28 2008

**PUBLIC SERVICE
COMMISSION**

Ms. Elizabeth O'Donnell
Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

Re: Case No. 2007-00470

Dear Ms. O'Donnell:

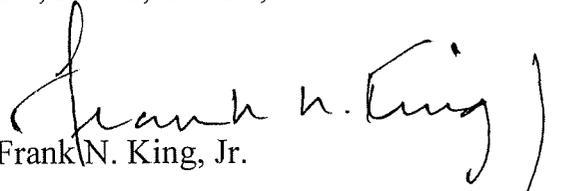
Enclosed herewith please find the original and six (6) copies of Response of Meade County Rural Electric Cooperative Corporation to First Data Request of Commission Staff for filing in this case. I hereby certify that a copy of this letter and the Response have been served on those listed on the attached service list.

Your assistance in this matter is appreciated.

Very truly yours,

DORSEY, KING, GRAY, NORMENT & HOPGOOD

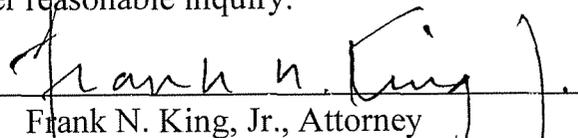
By


Frank N. King, Jr.

FNKJr/cds
COPY/w/encls.: Service List

CERTIFICATION

The undersigned hereby certifies that he is the preparer or the person supervising the preparation of this response on behalf of Meade County Rural Electric Cooperative Corporation and that each response is true and accurate to the best of my knowledge, information and belief formed after reasonable inquiry.


Frank N. King, Jr., Attorney

STATE OF KENTUCKY

COUNTY OF HENDERSON

The foregoing was signed, acknowledged and sworn to before me by
FRANK N. KING, JR. this 27th day of March, 2008.

My commission expires September 29, 2009.


Notary Public, State of Kentucky at Large

(seal)

Case No 2007-00470
SERVICE LIST

Hon. James M. Miller
Hon. Tyson Kamuf
Sullivan, Mountjoy, Stainback & Miller
Post Office Box 727
Owensboro, KY 42302
Attorneys for Big Rivers Electric
Corporation

Hon. Doug Beresford
Hon. Geof Hobday
Hogan & Hartson
555 Thirteenth Street, NW
Washington, DC 20004
Attorneys for Big Rivers Electric
Corporation

Hon. Kendrick Riggs
Stoll, Keenon Ogden PLLC
500 West Jefferson Street
Louisville, KY 40202
Attorney for E.ON U.S., LLC,
West Kentucky Energy Corp. and
LG&E Energy Marketing, Inc.

Hon. Allyson Sturgen
220 West Main Street
Louisville, KY 40202
Attorney for E.ON U.S., LLC

Hon. Michael L. Kurtz
Boehm, Kurtz & Lowry
36 East Seventh Street – Suite 2110
Cincinnati, OH 45202
Attorney for Kentucky Industrial Utility
Customers

Hon. David Brown
Stites & Harbison, PLLC
1800 Aegon Center
400 West Market Street
Louisville, KY 40202
Attorney for Alcan Primary Products
Corporation and Century Aluminum of
Kentucky General Partnership

Hon. John N. Hughes
124 West Todd Street
Frankfort, KY 40601
Attorney for Henderson Municipal
Power & Light

Hon. Dennis Howard
Assistant Attorney General
Office of the Attorney General
Utility & Rate Intervention Division
1024 Capital Center Drive-Suite 200
Frankfort, KY 40601-8204

RESPONSE OF MEADE COUNTY RECC
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1 **ITEM 1:** In the application in Case No. 2007-00455, Big Rivers Electric
2 Corporation ("Big Rivers") contends that its proposed Rebate Adjustment
3 mechanism, the proposed Member Rate Stability Mechanism, and the
4 proposed Unwind Surcredit can be implemented through the procedure
5 contained in KRS 278.455(1). Meade's application cites several statutes and
6 administrative regulations that it believes authorize the requested approvals.
7 However, no mention is made of KRS 278.455 as authority for the requested
8 approvals and no analysis has been submitted demonstrating compliance with
9 the requirements of 807 KAR 5:007.

10 a. Explain in detail why it appears Meade has not relied on KRS
11 278.455 and 807 KAR 5:007 as the authority for approval of its proposed
12 Rebate Adjustment Rider, the proposed Member Rate Stability Mechanism
13 Rider, and the proposed Unwind Surcredit Rider.

14 b. Does Meade believe that KRS 278.455 and 807 KAR 5:007 are
15 not applicable to the current application? Explain the response.

16

17 **RESPONSE:**

18

19 (a) Meade has relied on the cited authorities and all other applicable law which
20 would include KRS 278.455 and 807 KAR 5:007. See Exhibit JDG-8 for an
21 analysis demonstrating compliance with the requirements of 807 KAR 5:007.

22

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1 (b) No, Meade believes they are applicable. The US, Rebate Adjustment, and
2 MRSM result in revenue reductions that do not change existing rate designs and
3 are to be applied directly to direct serve customers in proportion to the
4 corresponding amounts to be credited by Big Rivers and proportionately to each
5 non-direct serve class and tariff on a kWh sales basis. This treatment is the same
6 as is used for Kenergy's Schedule WDAR, Meade County's Wholesale Power
7 Cost Adjustment and Jackson Purchase Energy's Cost Reduction Adjustment. The
8 latter two were authorized by the Commission pursuant to KRS 278.455 in Case
9 No. 2000-413 and Case No. 2000-415, respectively.

10

11 **WITNESS:** Jack D. Gaines

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1 **ITEM 2:** Refer to the Application, page 4. Meade has requested authority
2 to show the five Big Rivers' tariff riders in one of three ways on customers'
3 bills. Meade contends that this authority would allow it to "exercise discretion
4 in choosing the option to insure the intended zero net effect of the five (5)
5 corresponding retail tariff riders until their net effect is no longer zero and to
6 simplify as much as reasonably possible the form and the content of the
7 customers' bills."

8 a. Currently, does Meade reflect all applicable rates, charges,
9 credits, and riders as individual line items on its customers' bills? If no,
10 describe the exceptions to this level of detail.

11 b. If the response to part (a) is yes, explain why Meade should have
12 the option of treating the five Big Rivers' tariff riders differently on customers'
13 bills than it treats other rates, charges, credits, and riders.

14 c. Assume for purposes of this question that the Commission
15 requires Meade to disclose the five Big Rivers' tariff riders separately on
16 customers' bills. Would there be any need for the proposed Unwind Rider -
17 Composite Factor ("URCF")? Explain the response.

18

19 **RESPONSE:**

20 (a) Yes.

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1 (b) URCF would only apply so long as the net of the five corresponding Big
2 Rivers tariff riders is zero. Meade's application is requesting the option to treat
3 these five riders differently by not showing them on the customer bills if they are
4 not needed while the corresponding net of the Big Rivers riders is zero.

5
6 (c) URCF was developed to meet two objectives. First, Meade wants to ensure a
7 zero retail bill impact from application of the FAC, ES, US, Rebate Adjustment
8 and MRSM so long as the combined effect of the corresponding Big Rivers tariff
9 riders is zero on the wholesale bill. Second, URCF can help to simplify the retail
10 bill. Although the retail rate riders without Schedule URCF are designed to pass
11 through the net effect of the Big Rivers tariff riders and are expected, as shown by
12 the example calculations provided as Exhibit JDG-8, to achieve net monthly
13 factors of zero until the expiration of the MRSM, there is a concern that the
14 imprecision of retail billing primarily related to billing adjustments that occur
15 from time to time may cause a net monthly factor that is not zero even while zero
16 is the net charged by Big Rivers. If that happens, URCF would permit Meade to
17 charge a zero factor in lieu of the five factors that may not net to zero.

18
19 **WITNESS:** Jack D. Gaines and Burns Mercer

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1 **ITEM 3:** Refer to the Application, pages 5 and 6. Meade stated that it will
2 need to make "non-substantive changes to some of its existing tariff schedules
3 that are not mentioned herein, depending on the terms of the Commission's
4 final order in this case." Meade indicated that it would submit a request for
5 approval of those changes at the convenience of the Commission and as
6 directed.

7 a. Provide a schedule listing all changes to existing tariff schedules
8 anticipated by Meade that have not been submitted as part of the current
9 application. In addition, include a description of the nature of the change and
10 why Meade anticipates the change will be needed.

11 b. Explain in detail why the anticipated changes to Meade's current
12 tariff schedules were not proposed or disclosed as part of the current
13 application.

14

15 **RESPONSE:**

16 (a) Meade does not anticipate any specific tariff changes but is prepared to do so if
17 ordered by the Commission or required as a result of the Commission's order.

18

19 (b) See response to Item 3(a).

20

21 **WITNESS:** Jack D. Gaines

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1 **ITEM 4:** Refer to Exhibit 1 of the Application, the proposed Fuel
2 Adjustment Clause ("FAC").

3 a. Compare Meade's proposed FAC with the FAC it previously had
4 in effect until 1998, identifying all differences and explaining why the
5 currently proposed FAC is the preferred version.

6 b. Would Meade's proposed FAC be subject to the periodic reviews
7 prescribed in 807 KAR 5:056? Explain the response.

8

9 **RESPONSE:**

10

11 (a) There are no practical or implementation differences between the Meade
12 proposed FAC and the FAC used until 1998. The proposed tariff is a separate
13 tariff with more thorough and detailed definitions but the mechanics and the
14 application are the same.

15

16 (b) Yes, to the extent applicable.

17

18 **WITNESS:** Jack D. Gaines

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1 **ITEM 5:** Refer to Exhibit 2 of the Application, the proposed
2 Environmental Surcharge ("ES Rider").

3 a. Compare Meade's proposed ES Rider with the ES Rider it
4 previously had in effect until 1998, identifying all differences and explaining
5 why the currently proposed ES Rider is the preferred version.

6 b. Would Meade's proposed ES Rider be subject to the periodic
7 reviews prescribed in KRS 278.183? Explain the response.

8

9 **RESPONSE:**

10

11 (a) There are no practical or implementation differences between the Meade
12 proposed ES and the ES used until 1998. The proposed tariff has more thorough
13 and detailed definitions but the application is the same.

14

15 (b) Yes, to the extent applicable.

16

17

18 **WITNESS:** Jack D. Gaines

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1 **ITEM 6:** Does Meade have any special contracts under which the rates are
2 subject to change or adjustment only as stipulated in the contract? If yes, list
3 the contracts.

4

5 **RESPONSE:**

6 Meade has no special contracts.

7

8

9 **WITNESS:** Burns Mercer

RESPONSE OF MEADE COUNTY RECC
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1 **ITEM 7:** Exhibits 3 through 5 of the Application contain Meade's proposed
2 riders for the following Big Rivers' tariff riders: the Unwind Surcredit
3 Adjustment Clause, the Rebate Adjustment, and the Member Rate Stability
4 Mechanism. For each of Meade's proposed riders,

5 a. Will the formula produce a rate change that does not change the
6 rate design currently in effect for Meade? Explain the response.

7 b. Will the formula result in a revenue change that has been
8 allocated to each customer class and within each tariff on a proportional basis?
9 Explain the response.

10 c. If the response to either part (a) or part (b) is yes, provide an
11 analysis supporting the positive response.

12

13 **RESPONSE:**

14 (a) Yes, the US, Rebate Adjustment and MRSM rate changes do not change the
15 existing rate design. Every charge in the base rates remains the same.

16

17 (b) The revenue effects of the US, the Rebate Adjustment, and the MRSM are to
18 be directly assigned to direct serve customers in direct proportion to the
19 corresponding amounts to be credited by Big Rivers and proportionately to each
20 non-direct serve class and tariff on a kWh sales basis.

21

22 (c) See Exhibit JDG-8 filed with the application.

23

24 **WITNESS:** Jack D. Gaines

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1 **ITEM 8:** Refer to Exhibit 6 of the Application, the proposed URCF. The
2 only purpose of the proposed URCF appears to be as an alternative to
3 disclosing the five Big Rivers' tariff riders separately on customers' bills.

4 a. Does Meade agree with this description of the purpose for the
5 URCF? Explain the response.

6 b. Is Meade aware of this Commission approving a tariff rider
7 similar to the proposed URCF? If yes, identify the utility and the specific
8 tariff.

9

10 **RESPONSE:**

11 (a) No. URCF was developed to meet two objectives. First, Meade wants to ensure
12 a zero retail bill impact from application of the FAC, ES, US, Rebate Adjustment
13 and MRSM so long as the combined effect of the corresponding Big Rivers tariff
14 riders is zero on the wholesale bill. Second, URCF can help to simplify the retail
15 bill while the net effect of the Big Rivers wholesale riders is zero.

16

17 (b) No.

18

19 **WITNESS:** Jack D. Gaines

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1 **ITEM 9:** Refer to Exhibit 8A of the Application, the proposed Big Rivers
2 Cogeneration and Small Power Production Purchase Tariff – Over 100 kW.
3 Provide a narrative that describes how the provisions of the proposed tariff
4 comply with each applicable section of 807 KAR 5:054. Note any exceptions
5 and provide the reason(s) for each exception.

6

7 **RESPONSE:**

8

9 Meade's proposed tariff Schedule 9 TRF – Small Power and Cogeneration (Over
10 100 kW) (Customer Sells Power to Big Rivers) is designed to be consistent with
11 Schedule 44 proposed by Kenergy in Case No. 2008-00009. The record in that
12 case establishes that Schedule 44 filed by Kenergy complies with 807 KAR 5:054.
13 Therefore, the identical Schedule 9 TRF proposed by Meade should also be in
14 compliance.

15

16 Notwithstanding the foregoing, Meade's proposed Schedule – 9 TRF is available
17 to any customer of Meade having a total generator design capacity over 100 KW
18 who qualifies as a cogenerator or small power producer pursuant to Regulation
19 807 KAR 5:054 of the Kentucky Public Service Commission. Like Kenergy's
20 currently effective Schedule 44 approved in Case No. 2000-00395 and Kenergy's
21 proposed Schedule 44, proposed Schedule 9 TRF provides that all power sold by a
22 QF will be sold to Big Rivers. The purchase rate set forth in Schedule 9 TRF is the
23 Big Rivers formula that allows the Commission and Big Rivers to determine Big
24 Rivers' appropriate avoided costs pursuant to section 5 of 807 KAR 5:054.
25 Schedule 9 TRF provides that an interconnection agreement involving Meade, Big
26 Rivers, and the QF customer must be executed. Schedule 9 TRF provides that such
27 interconnection will be made consistent with section 6(6) of 807 KAR 5:054.
28 Among other things, Schedule 9 TRF provides that the qualifying facility; (i) must
29 provide good quality electric power within a reasonable range of voltage,
30 frequency, flicker, harmonic currents, and power factor, (ii) provide reasonable
31 protection for Big Rivers' and Meade's systems, (iii) design, construct, install,
32 own, operate, and maintain the Qualifying Facility in accordance with all
33 applicable codes, laws, regulations, and generally accepted utility practices, and

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1 (v) reimburse Big Rivers and Meade for all costs incurred as a result of
2 interconnecting with the QF, including operation, maintenance, administration,
3 and billing. In addition, Schedule 9 TRF provides that during system emergencies,
4 Big Rivers may discontinue purchases or the QF may be required to provide
5 energy or capacity in accordance with section 6 of 807 KAR 5:054.

6

7 **WITNESSES:** Burns Mercer and Jack D. Gaines

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1 **ITEM 10:** Refer to Exhibit 9 of the Application, the proposed Small Power
2 and Cogeneration (Over 100 kW) tariff.

3 a. Explain the purpose of this tariff and why Meade believes it is
4 necessary to establish this tariff.

5 b. Provide a narrative that describes how the provisions of the
6 proposed tariff comply with each applicable section of 807 KAR 5:054. Note
7 any exceptions and provide the reason(s) for each exception.

8

9 **RESPONSE:**

10

11 Meade does not have an existing tariff to pass through the cost associated with
12 purchasing power under Rate Schedule 9 - BIG RIVERS COGENERATION
13 AND SMALL POWER PRODUCTION PURCHASE TARIFF – OVER 100 KW
14 filed by Big Rivers in Case No. 2007-00455.

15

16 Meade's proposed Schedule 10 TRF is available to any customer of Meade having
17 a total generator design capacity over 100 KW who qualifies as a cogenerator or
18 small power producer (QF) pursuant to Regulation 807 KAR 5:054 of the
19 Kentucky Public Service Commission. Schedule 10 TRF is designed to pass
20 through Meade's cost to purchase power from Big Rivers for resale to a QF when
21 such power is purchased by Meade under Big Rivers' Rate Schedule 9. Big
22 Rivers' rate schedule 9 sets forth the terms and conditions, and rates applicable for
23 services required by section 7(7) of 807 KAR 5:054. Those services are:
24 supplementary power, back-up power, maintenance power, and interruptible
25 power. Schedule 10 TRF flows through Meade's costs from Big Rivers for the
26 specified services. Schedule 10 TRF provides that a retail adder will be
27 determined by special contract on a case by case basis.

28

29 **WITNESS:** Burns Mercer and Jack D. Gaines